

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 06820 131537Z

46

ACTION EB-07

INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 INT-05 GSA-01 PRS-01

(ISO) W

----- 120166

R 131500Z AUG 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9155

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BERN

C O N F I D E N T I A L KINSHASA 6820

E.O. 11652: GDS - DEC. 31, 1982

TAGS: EFIN, EMIN, CG

SUBJECT: BALANCE OF PAYMENTS

REF: A) STATE 190594 (NOTAL), B) LUBUMBASHI 116 (NOTAL),

C) LUBUMBASHI A-32 (NOTAL), D) STATE 194305

1. WE HAVE BEEN STUDYING CAREFULLY THE BALANCE OF PAYMENTS
FIGURES CONTAINED IN REF A AND HAVE TRIED TO FIT THE 1976
PROJECTION CONTAINED THEREIN WITH THE INFORMATION WE HAVE BEEN
ABLE TO OBTAIN IN THE COURSE OF DISCUSSIONS HERE. GOZ OFFICIALS
DO NOT SEEM TO BE FOCUSING ON THIS PROBLEM, AND MAY NOT BE
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PAGE 02 KINSHA 06820 131537Z

AWARE THEMSELVES OF THE SITUATION. WE WILL CONTINUE TO PURSUE THE

CRITICAL QUESTIONS OF IMPORT LEVELS, COPPER EXPORTS, ETC. WITH THEM.

2. IN THE MEANTIME, WE HAVE A FEW COMMENTS ABOUT THE ASSUMPTIONS CONTAINED IN REF A, PARTICULARLY THOSE PERTAINING TO (A) THE LEVEL OF COPPER EXPORTS, (B) COPPER PRICES, (C) NET SERVICES AND TRANSFER ACCOUNT, (D) THE ONGOING DISBURSEMENTS POSTED AT \$200 MILLION, (E) WESTERN GOVERNMENT ASSISTANCE.

(A) COPPER EXPORTS. THE AVAILABLE INFO CONCERNING COPPER EXPORTS IS LIMITED; WE ARE NOT SURE THE GOZ ITSELF IS AWARE OF THE EXPORT LEVELS. A LIMITING FACTOR, OF COURSE, IS THE LEVEL OF GECAMINES PRODUCTION. OFFICIALS FROM GECAMINES HAVE RECENTLY FILLED OUR EARS WITH EXPECTATION OF 460,000 MT OF COPPER DURING 1976 (SEE REF B), WHICH WE FIND A LITTLE HARD TO BELIEVE. 460,000 MT IS VERY CLOSE TO GECAMINES TOTAL PRODUCTION DURING 1976, AND HAS BEEN EXCEEDED ONLY BY 1974'S 471,000 MT PRODUCTION AND 1975'S 465,000 MT. HOWEVER, DURING THE FIRST QUARTER OF 1976 GECAMINES REPORTEDLY "LOST" APPROXIMATELY 30,000 MT OF PRODUCTION (REF C). SINCE THEN CONDITIONS HAVE IMPROVED BUT EVEN GECAMINES OFFICIALS (REF B, PARA 6) ADMIT THAT THEIR DIESEL SUPPLIES ARE NOT NOW SUFFICIENT TO ALLOW MAXIMUM OPERATION. GIVEN THIS STATE OF AFFAIRS, WE DO NOT SEE HOW THE DEFICIENCIES OF EARLY 1976 WILL BE MADE UP. AS A RESULT, WE WOULD ESTIMATE 1976 GECAMINES' PRODUCTION BETWEEN 420,000 MT AND 440,000 MT. NEXT, THE QUESTION OF MOVING THE COPPER TO MARKET. WHILE SOZACOM SHOWED VERY LOW EXPORT FIGURES FOR THE FIRST MONTHS OF 1976, THIS SHOULD NOT BE PLOTTED IN A STRAIGHT LINE PROJECTION TO INDICATE ANNUAL EXPORTS. REF C REPORTED THAT GECAMINES LOST 26,000 MT DURING THE FIRST FIVE MONTHS OF 1976 OF ITS 39,000 MT PER MONTH ORIGINAL "PRODUCTION SCHEDULE". THUS, WE ESTIMATE PRODUCTION FOR THE FIRST FIVE MONTHS WAS AROUND 169,000 MT, OR ONLY ABOUT 32,000 MT AHEAD OF SOZACOM'S EXPORT EFFORTS AT 137,000 MT. SINCE THEN, HOWEVER, MANAGEMENT HAS CHANGED AT SNCZ (THE RAILROAD IN SHABA), SOZACOM'S NEW MANAGEMENT (INSTALLED IN FEBRUARY) HAS HAD A CHANCE TO TAKE HOLD, SGM HAS HAD MORE TIME TO WORK INTO ITS RENEWED ROLE IN THE SALES OF ZAIRE'S COPPER, AND THERE IS TALK OF NEW MANAGEMENT FOR THE CRITICAL PORT AT ILEBO. WE FEEL THAT SOZACOM MAY BE ABLE TO KEEP FROM SLIPPING MUCH FURTHER BEHIND GECAMINES PRODUCTION, SO WE WOULD ESTIMATE SOZACOM EXPORTS AT 35,000 MT LESS THAN GECAMINES PRODUCTION, ERGO 385,000-405,000 MT. AFTER ADDING SODIMIZA'S EXPORTS OF 30,000 MT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 06820 131537Z

OF COPPER CONTENT, WE GUESS ZAIRE'S COPPER EXPORTS FOR 1976 BETWEEN 415,000 AND 435,000 MT. THE BRITISH EMBASSY ESTIMATES FROM THEIR SOURCES BETWEEN 420,000-435,000 MT, THE BELGIANS FEEL EXPORTS WILL BE AROUND 425,000 MT. THESE ESTIMATES ARE BASED ON THE CURRENT STATUS OF SHABA'S RAIL LINKS. THE SITUATION COULD CHANGE DRASTICALLY: FOR THE BETTER, SHOULD THE BENGUELA REOPEN AND THE GOZ DECIDE TO SHIP COPPER VIA THAT ROUTE, FOR THE WORSE, SHOULD THE RAIL LINKS TO AND THROUGH RHODESIA BE INTERDICTED.

(B) COPPER PRICE: ALTHOUGH WE DISCUSS THE LME PRICE FOR COPPER, THAT RATE IS ONLY ROUGHLY INDICATIVE OF THE RECEIPTS. MORE THAN HALF OF ZAIRE'S COPPER IS SHIPPED AS CONCENTRATE, BLISTER OR CATHODES, AND THEREFORE DOES NOT EARN THE FULL LME WIREBAR PRICE. ALSO, SGM DEDUCTS SERVICE CHARGES, COMPENSATION PAYMENTS, INTEREST RATES, AND REFINING CHARGES FROM ZAIRE'S EARNINGS BEFORE REMITTING THE MINERALS RECEIPTS. IN 1973, MARKETING EXPENSES TO SGM (FREIGHT, INSURANCE, TRANSPORT, SALES COMMISSION) TOTALLED 3.4 PERCENT OF GROSS SALES AND REFINING EXPENDITURES TOTALLED 4.4 PERCENT. WE CANNOT CONFIRM WHETHER THESE CHARGES ARE INCLUDED IN THE SERVICES ACCOUNT. FINALLY, THE PRICE WHICH ZAIRE RECEIVES ON EMBARKATION OF ITS COPPER LAGS BEHIND THE CURRENT LME PRICES BY ABOUT TWO MONTHS, MEANING THAT ZAIRE'S RECEIPTS HAVE NOT FULLY BENEFITED YET FROM THE FIRST HALF OF 1976 RISES IN THE COPPER PRICE, AND WILL NOT INCLUDE THE LAST TWO MONTHS OF 1976. ALL THESE POINTS ASIDE, AND RECENT FALLING PRICES IN MIND, WE WOULD GO ALONG WITH THE \$.67 FIGURE EMPLOYED IN REF A, BUT EMPHASIZE THAT THE AVERAGE COULD WELL BE SEVERAL CENTS LOWER OR HIGHER, DEPENDING ON THE VOLUME OF COPPER SOLD AT VARIOUS COPPER PRICES.

(C) NET SERVICE AND TRANSFERS. WE HAVE RECEIVED INDICATIONS THAT THE FUNDS OUTFLOW ON THE SERVICES AND TRANSFER ACCOUNT WILL EXCEED THE LEVEL OF PREVIOUS YEARS. WE UNDERSTAND THAT THE IMF IS WELL INFORMED ABOUT THIS PROBLEM AND COULD PROVIDE DATA IF IT WISHES. IT SHOULD ALSO BE REMEMBERED THAT THE IMF BOP PROJECTION FOR 1976 ASSUMED DEBT PAYMENTS OF \$200 MILLION WITH ANOTHER \$200 MILLION RESCHEDULED.

(D) ONGOING FOREIGN LOAN DISBURSEMENTS. WE ARE SOMEWHAT SURPRISED TO HEAR OF \$200 MILLION IN FOREIGN LOAN DISBURSEMENTS BEING THROWN IN THIS DISCUSSION. IT SEEMS TO US THAT THE FIGURES CONTAINED IN THE HISTORICAL PART (74 AND 75) OF THE BALANCE OF PAYMENTS TABLE CAME FROM TABLE 1 IN THE IMF REPORT ON THE STAND-BY ARRANGEMENT (EBS/76/129). YET, THE 1974 FIGURES IN TABLE 1 OF EBS/76/129 ARE VIRTUALLY IDENTICAL WITH THE PROVISIONAL FIGURES

CONFIDENTIAL

PAGE 04 KINSHA 06820 131537Z

PUBLISHED IN THE BANK OF ZAIRE'S 1974 ANNUAL REPORT, TABLEAU 89, BALANCE OF FINANCIAL SETTLEMENTS. THUS, WE FEEL THE IMF FIGURES ARE BASED ON THE FINANCIAL SETTLEMENTS BASIS AND THE \$200 MILLION DISBURSEMENT FIGURE IS INAPPROPRIATE UNLESS THE IMPORT CATEGORY IS RAISED A CORRESPONDING AMOUNT (FOR COMPARATIVE PURPOSES THE BANK OF ZAIRE'S 1974 ANNUAL REPORT SHOWS IN ITS 1974 GENERAL BALANCE OF PAYMENTS (TABLEAU 81) A CREDIT IN THE CAPITAL ACCOUNT OF Z125.5 MILLION (\$251 MILLION) AND CIP IMPORTS AT Z632.2 MILLION (\$1264 MILLION).

(E) FOREIGN ASSISTANCE. WHILE EARLIER IN THE YEAR IT MAY HAVE APPEARED THAT VARIOUS FRIENDLY COUNTRIES WOULD MAKE BOP ASSISTANCE AVAILABLE TO ZAIRE, ONLY \$56 MILLION OTHER THAN DEBT RESCHEDULING HAS ACTUALLY BEEN COMMITTED. THE \$20 MILLION EXIM LOAN TO GECAMINES WILL RAISE THE ANTE TO \$76 MILLION WHEN IT IS EVENTUALLY PUT INTO PLACE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, BALANCE OF PAYMENTS, AUDITS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 13 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KINSHA06820
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760312-0472
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760856/aaaabwsh.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 190594, 76 LUBUMBASHI 116
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2004 by CunninFX>; APPROVED <03 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BALANCE OF PAYMENTS
TAGS: EFIN, EMIN, CG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006